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# Boeing Annual Report 1977

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## BOEING AIRPLANES AT AIRPORTS AROUND THE WORLD

Bogota  
Colombia

New York City  
New York

Toronto  
Canada

London  
England

Brussels  
Belgium

Chicago  
Illinois

San Francisco  
California

Paris  
France

Los Angeles  
California

Rio de Janeiro  
Brazil

Perth  
Australia

Dublin  
Ireland

Youngstown  
Ohio

Douala  
Cameroon

Quito  
Ecuador

Rome  
Italy

London  
England

Montreal  
Canada

Manchester  
England

Merida  
Mexico

Hong Kong

Seattle/Tacoma  
Washington

Tokyo  
Japan

Tel Aviv  
Israel

Kuwait

Mexico City  
Mexico

Amsterdam  
Netherlands

Washington  
D. C.

Kabul  
Afghanistan

Johannesburg  
South Africa

Boston  
Massachusetts

Heidelberg  
W. Germany

Kuala Lumpur  
Malaysia

Dusseldorf  
W. Germany

Jidda  
Saudi Arabia

Singapore

Chitose  
Japan

Istanbul  
Turkey

Atlanta  
Georgia

Cancun  
Mexico

Zurich  
Switzerland

Invercargill  
New Zealand

Gander  
Canada

Damascus  
Syria

Stavanger  
Norway

Keflavik  
Iceland

Bombay  
India

Poste Baleine  
Canada

Bangkok  
Thailand

Melbourne  
Australia













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Annual meeting of Boeing stockholders will be held at the offices of the Company, Seattle, Washington on May 1, 1978. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about April 1, 1978.



## Highlights

Dollars in millions except per share data.  
Per share data restated for 2-for-1 stock split.

	1977	1976
Sales .....	\$4,018.8	\$3,918.5
Net earnings .....	\$ 180.3	\$ 102.9
Per average share outstanding .....	\$ 4.24	\$ 2.42
Percent of sales .....	4.48%	2.63%
Stockholders' equity .....	\$1,231.3	\$1,084.8
Per share .....	\$ 28.89	\$ 25.54
Cash dividends paid .....	\$ 36.2	\$ 26.5
Per share .....	\$ .85	\$ .62½
Salaries and wages .....	\$1,246.7	\$1,207.1
Average number of employees .....	66,900	65,400
Additions to plant, net .....	\$ 99.1	\$ 67.2
Depreciation of plant .....	\$ 71.4	\$ 67.0
Funded backlog at year end .....	\$5,917.0	\$3,959.9





## Message to Stockholders

The highlight of 1977 for Boeing was the strong demand by both domestic and foreign airline customers for commercial jet transports. During the year orders were announced for 228 airliners with a value of \$4.1 billion. This compares to orders for 171 airliners with a value of \$2.1 billion in 1976.

Nineteen seventy-seven was also a year of record sales and earnings and, despite a softening of defense markets, one marked by continued improvement in the company's overall financial position and a record year-end backlog.

Earnings increased from \$102.9 million in 1976 to \$180.3 million in 1977, raising earnings per share from \$2.42 to \$4.24. Sales rose from \$3,919 million in 1976 to \$4,019 million in 1977. The record earnings level was achieved primarily because of continued favorable performance on commercial jet transport and major military programs, a high level of jet transport orders which has resulted in the company increasing production rates for the 727, 737 and 747, and increased interest income.

In recognition of the company's excellent performance and the favorable outlook over the next several years, the quarterly dividend was increased from 35 cents to 50 cents per share in August and a two-for-one stock split was declared. After the split, the quarterly dividend was set at 25 cents a share. In the first quarter of 1978 a special dividend of 25 cents per share was paid, and the regular quarterly dividend was further increased to 30 cents per share.

The popular 747 made an impressive gain in orders with 42 booked in 1977, the highest since 1967. The 727 maintained its pace as the world's best-selling jetliner, with 134 orders and the 737, with 38

orders, continued to show substantial market strength. The market for the 707 continued principally in the military derivative area with 12 of 14 new orders covering military versions.

The year-end commercial aircraft backlog of \$4.3 billion, combined with projected additional orders, means that current commercial jet transport production rates will be increased to support deliveries of 18 airplanes per month by mid-1978 and up to 22 airplanes by early 1979. Current schedules anticipate the delivery of approximately ten 707s, one hundred fifteen 727s, thirty-eight 737s and thirty-three 747s for a total of 196 aircraft in 1978.

For several years Boeing has been expending substantial research, developmental and preliminary design efforts on new and derivative model commercial jet transports. Airline interest in a new 180-200 passenger medium-range jet transport is growing because of the operational economies that its new engines and improved technology would make possible. Extensive consultation with potential airline customers has narrowed the requirements to a basic seven-passenger abreast, two-aisle design which could be offered with two or three engines. A go-ahead for production will be authorized this year if sufficient orders for either type materialize.

A derivative of the 727 or the 737 also is being considered. It would cover the 140- to 160-passenger portion of the market. The derivative would have a stretched fuselage, a new wing and advanced technology engines to meet economic and environmental requirements.

Current models of Boeing jet transports are being constantly improved to meet changing market conditions and sales of the 727 and 737 are expected to continue at a high level for several years. The 747's capability and advanced features should assure a strong sales position for many years to come.

Although our military market remains substantial, reassessments of defense needs have resulted in

cancellation of important contracts and reduced opportunities for promising new assignments. The cancellation of the B-1 bomber, and with it, elimination of the requirement of the SRAM-B, represented a major loss of future business for the company. Our inability to win competitions for an advanced tanker-transport and a Navy helicopter was somewhat offset by our successes in gaining a contract to integrate competing air launched cruise missiles with the B-52, additional assignments for our inertial upper stage space booster, a contract for five hydrofoil missileships, and substantial CH-47 helicopter production contracts.

These and programs such as AWACS, Minuteman, Roland and others, as well as modification programs for the B-52 and KC-135, and the CH-46 and -47, all of which are detailed elsewhere in this report, provide us with a continuing strong government business base. Prospective orders for NATO and Iranian AWACS are particularly encouraging.

Because of budget constraints and shifting governmental priorities, it is difficult to assess future military markets with any degree of accuracy. Boeing is competing for an important assignment with its Air Launched Cruise Missile and is a finalist in a competition for the Army's General Support Rocket System.

Despite funding uncertainties for the Advanced Medium STOL Aircraft, it appears that a need exists for an aircraft like our C-14 which has demonstrated such excellent flight characteristics and cargo-carrying capabilities. Sales for these programs during the next ten years could be significant.

Based on current programs and schedules, 1978 sales should be

Three Boeing flight lines reflect accelerating rate of airplane production. From left to right are the Renton, Everett and Boeing Field lines. Deliveries in 1978 are expected to total 196.



considerably above the 1977 level notwithstanding a moderate decline in military business.

Our computer services and energy and environmental programs are making good progress and the markets served are large and growing. We are continuing to evaluate the business potential of our relatively new rail car and commercial hydrofoil programs.

Although we experienced a 45-day strike by the International Association of Machinists, the company achieved equitable settlements with the major unions which represent Boeing employees and can now look forward to three years of workforce stability.

Last year our employment increased about 10 percent from the January base of approximately 63,000, with the majority occurring in the Seattle area. We expect the workforce to continue to grow over the next several years to support our baseline sales forecast.

In summary, the company's near term outlook is excellent. If commercial air traffic growth continues at the expected annual average rate of about 6 percent for the next decade, this level of growth, combined with substantial replacement requirements, will result in a very large commercial airplane market. We have a solid position in this market with our current aircraft

and are planning new and derivative models for introduction to protect that position.

In our military and government programs, constituting approximately one-fourth of our business backlog, we have diverse and demanding opportunities ahead. We feel there is an opportunity, and a need, to respond to the country's changing defense requirements caused by continued military build-up of the Soviet armed forces. It is imperative that the U.S. safeguard its national security by replacing obsolete equipment and developing new advanced weapons systems capable of meeting this potential threat.

Our objective is to continue to be a broad-based company with primary emphasis on high technology transportation, missile and space systems. Beyond that, our emphasis and interest are centered on elements of the energy and environmental business and computer services.

Our growing confidence in Boeing's future derives from our belief in the company's capability to meet current commitments effectively and, at the same time to take on the substantial opportunities involved in new commercial and military programs.

We are operating from a solid foundation of resources: an outstanding workforce, adequate facilities, an advanced technology base and a strong financial position. These are in place and ready for tomorrow's challenge.

*T. A. Wilson*

Chairman of the Board  
Chief Executive Officer

*W. B. Stamber*

President

March 6, 1978

Monthly airplane production at the 707/727/737 plant at Renton, seen here, and at the 747 plant in Everett reached 15 by mid-1977 and is expected to increase to 18 by middle of 1978.





## Investigations Concerning Foreign Sales and Marketing Activities

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Since January 1976 the Securities and Exchange Commission has been conducting a private investigation of certain payments by the company in connection with its foreign business for the stated purpose of determining whether any person has been engaged or is about to engage in any acts or practices in violation of the Federal securities laws or rules or regulations promulgated thereunder. The company has been informed by the staff of the SEC Enforcement Division that the Commission has authorized court action seeking an injunction against the company. The company believes it has not violated the securities laws. Discussions are under way to determine whether a satisfactory settlement of the dispute can be reached without lengthy litigation.

The Internal Revenue Service, through its audit and intelligence divisions, is reviewing the company's income tax returns for the years 1973-1975. As part of this review, the Service is investigating the company's practices relative to commissions and consulting fees paid by the company in connection with its sales to foreign customers. The company has been informally advised by representatives of the Internal Revenue Service that they propose to recommend that deductions for certain of such payments be disallowed and that other adjustments be made. The company cannot predict at this time the amount of additional taxes or penalties, if any, that may be asserted. It is the company's position that the payments are properly

deductible and that adequate provision for income taxes has been made for the years 1973 through 1977.

The Federal Trade Commission is also conducting a nonpublic investigation of several aircraft manufacturing companies, including Boeing, to determine, among other things, whether such companies may be engaging, or may have engaged, in any unfair methods of competition or unfair or deceptive acts or practices in violation of law in connection with sales of aircraft and related services. The company believes its sales activities have not violated any applicable law. The company has undertaken discussions with the FTC staff in an effort to determine whether a satisfactory settlement can be reached without lengthy litigation.

The Department of Justice is conducting an investigation to determine whether there have been violations of various federal criminal statutes in connection with the foreign sales and marketing activities of a number of companies, including Boeing. The company has cooperated and continues to cooperate with this investigation. The company cannot predict what action, if any, the Department of Justice may take as a result of this investigation.

Although a few of the persons who have received commission payments or fees from the company have held positions with their governments which might cause them to be deemed to be "public officials," management believes, based on the investigations to date, that none of such payments was illegal. Management is satisfied that all payments made with respect to foreign business have been identified in the company's accounting records, that the company has made no illegal political contributions, and that no

funds have been diverted either directly or indirectly to so-called "slush funds."

Prior to commencement of any of the government investigations, management, with the assistance of outside counsel for the company, undertook a review of the same subject matter. The Board of Directors has received periodic reports from management and from counsel concerning the progress of the investigations. Also, the Board and its Audit Committee, consisting of outside directors, have met with the company's independent auditors to review matters appropriate to their responsibilities.

The company believes that it will be advisable for it to continue to engage consultants and pay commissions and financing and consulting fees in certain countries for assistance in selling its products in those countries. In August 1976, the Board of Directors approved an updated policy statement and implementation instructions relating to sales consultants, political contributions and financial records formalizing requirements and procedures designed to assure the company that in conducting its business it will continue at all times to be in full compliance with applicable laws, and that the nature and extent of all payments made by the company with respect to its foreign sales will continue to be accurately and properly recorded in the accounts of the company.







## Boeing Commercial Airplane Company

The size of the worldwide market for commercial jet transports exceeded expectations during 1977, with the result that Boeing Commercial Airplane Company received new orders valued at approximately \$4.1 billion, the largest in history. The orders were for 228 airplanes, the highest number of airplanes booked since 1967. In 1976 orders were received for 171 airplanes valued at \$2.1 billion.

The free world's airlines placed orders for approximately \$6.9 billion of new equipment from all manufacturers in 1977, compared to \$3.4 billion the year earlier.

While the magnitude of airline orders was surprising in terms of 1977, the quantities fell well within our commercial jet transport longer-term forecasts. These forecasts for free world airline requirements through 1987 total \$74 billion, based on constant 1977 dollars. More than half of this requirement, \$43 billion, will be to accommodate traffic growth, and the remainder for replacement aircraft.

Airline confidence appears to be stronger than in several years. Strengthening economies in both the United States and major overseas countries, significant traffic growth in most major market areas and improved airline earnings were factors which contributed to the strength of the 1977 market.

A high point of the year was the 42 orders placed for the Model 747, compared to 14 the previous year. It was the largest number of 747 orders since 1967, the first full year of the program.

The increasing popularity of discount fares has led to higher-volume air travel with a resulting demand for more wide-body

transports. The 747 now has been ordered by 53 customers, nine new customers being added during 1977. Largest 747 order of the year was placed by Lufthansa Airlines for seven airplanes. This long-time Boeing customer is replacing its early 747s to obtain engine commonality and to standardize systems improvements with later model 747s the carrier received in 1976.

The broad spectrum of 747 models being offered to airlines has added to the airplane's sales potential. During the year, for example, eighteen orders were for the 747 Combi derivative which allows both passengers and cargo to be carried on the main deck. It is expected that a substantial

The 747SP made history when Pan American World Airways, in commemoration of its 50th anniversary, flew one of its very-long-range SPs on a record-breaking flight around the world over both the North and South Poles. The SP covered the 26,383-mile distance in just over 54 hours making only three refueling stops. Actual flight time was 48 hours, 3 minutes.

The 727 achieved a milestone never before reached by any other commercial airplane when early in 1978 orders reached the 1,500 mark. The event occurred when Air Canada ordered five. Another significant



number of 747 orders will continue to be for airplanes with main-deck cargo capability. In addition, seven 747 freighters were ordered. In late 1977, 747 freighters or Combis were serving 68 major cities worldwide, compared with service between only New York and two European capitals in 1974.

The 747 with Rolls-Royce engines was certified for commercial service in May following more than 250 hours of flight testing. This version of the airplane now is in service with British Airways.

Numerically-controlled machine at 747 Division Everett plant drills and reams holes, then installs the 52,000 rivets that join spars, stringers and panel skins to create a set of 747 wings.



accomplishment was reached on the 727 program in late 1977 when the one-billionth passenger was carried aboard the airplane. The number of passengers flown by the worldwide fleet during the tri-jet's 13-year operational history is equivalent to nearly one quarter of the world's population.

The 134 orders for the 727 in 1977 were the highest since 1966 and above expectations, especially in view of the 114 purchases announced in 1976. Continuous technical improvements have kept the airplane competitive, and as the high level of orders and the three new customers booked in 1977 indicate, the airlines have confidence that the 727 will fill an important role in their fleets into the 1990s. With 87 customers, the 727 has the broadest airline base of any commercial airplane in the world.

The year's two largest 727 orders were placed by U.S. carriers. Delta Airlines purchased 24, increasing its total to 111, and United Airlines ordered 18, increasing its total to 200.

Six new customers were among those who placed orders for 38 737 twinjets. Of special note, and indicative of strong traffic gains by U.S. regional airlines, were orders by

Orders for 38 737s in 1977 indicated gains by U.S. regional lines. Frontier ordered eight, Southwest four and Piedmont three. Six new customers were among those placing orders for twinjets.

Frontier Airlines for eight 737s, Southwest for four, and Piedmont for three.

Ten of the fourteen new orders for the 707 in 1977 were for U.S. Air Force Airborne Warning and Control System (AWACS) airplanes. Developmental work and wind tunnel testing continued on a program to equip a 707 with new CFM56 engines for a flight test program beginning in 1979.

With airplane orders continuing to build, production rates and employment are being increased. Early in 1977 combined production rates for all models were 9½ airplanes a month. This increased to 15 airplanes per month in mid-1977, and the planned rate is 18 per month by mid-1978. At that time, rates will include one 707 per month, eleven 727s, three 737s and three 747s. Production rates are scheduled to increase to 22 airplanes per month by early 1979.

Concurrent with success in marketing present products during 1977, progress was made in efforts to launch a new airplane program timed to meet airline requirements for an advanced technology aircraft for use in certain market segments in the early 1980s.

Key to the progress was the development of a new design which is

receiving considerable attention by several major domestic and foreign airlines. The new model is directed at the medium range, 180-to-200 passenger capacity market and will be configured with twin aisles and seven-abreast seating.

The model can be developed as either a twin- or three-engine airplane with range capability from intermediate to transcontinental distances. A future intercontinental derivative also could be developed from the basic design.

Such an all-new family of airplanes would offer lower fuel consumption, reduced operating costs and would meet the lower noise standards which have been proposed for new airplanes entering service in the 1980s.

Engineers test a new design as preparations continue for the possible launching of a new Boeing airplane program in 1978. Plane is designed to carry between 180 and 200 passengers.







management systems also was marketed to airlines and Boeing Airport Equipment Company, a wholly owned subsidiary, continued work on airport baggage handling systems.

With nearly 3,000 Boeing commercial jet transports in worldwide airline service, provisioning of spares is increasingly an important major business element. Programs offering technical field support for our airplanes also grew during the year, highlighted by continuing support efforts in Iran and Iraq.

With 399 orders for aircraft received during the past two years, production rates are on the increase and a new airplane program is about to be launched. The challenges of 1978 are great, but we are in a good position to undertake them. We intend to accomplish the orderly development of a new airplane program, and at the same time continue to manage our ongoing business efficiently and competitively.

Egyptian President Anwar Sadat's history-making visit to Israel began on the night of November 19, 1977, with his arrival at Tel Aviv's Ben Gurion Airport in a Boeing 707. (Photo: © Kennerly/Contact)

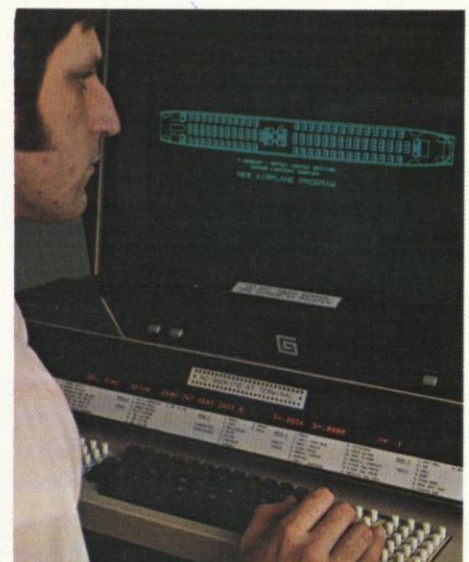
Engineers use Computer-Aided Design equipment to verify seven-abreast seating configuration for possible new airplane program. Computer-Aided Manufacturing also boosts productivity.

At year's end Boeing was engaged in detailed discussions of these designs with major airlines. Upon completion of this activity it hopes to be in a position to make firm offers to potential customers by mid-1978. Meanwhile, detailed engineering work is proceeding on the project.

Designers also are continuing work on an advanced version of the 727/737 series which would incorporate a new wing and new engines. This airplane would have a passenger capacity of 140 to 160 with six-abreast seating and serve short-to-medium range markets presently operated by smaller jet transports, many of which will need replacement in the years ahead. The

major requirement for this size of aircraft is overseas, especially in Europe, whereas the largest immediate market for the seven-abreast airplanes is in the United States.

Good progress was made by subsidiary organizations involved in providing support services to elements of the air transportation industry. For example, Boeing Aerosystems was awarded a contract by the China Civil Aviation Agency to provide an airport management system for the new Taoyuan International Airport serving Taipei, Taiwan. A full line of computerized





## Boeing Aerospace Company



Five Air Force E-3A Airborne Warning and Control Systems (AWACS) being readied for delivery on the Boeing flight line. Boeing is prime contractor for the E-3A program.

Although Boeing Aerospace Company's 1977 sales were substantially higher than those of any of the preceding seven years and ongoing programs are proceeding well, prospects for sustaining this growth have been dealt substantial setbacks by continuing reassessments of U.S. defense needs.

Government decisions in the latter half of the year resulted in termination of four contracts with the Air Force. Subsequent budgetary actions in early 1978 threaten completion of one major competition we had hoped to win and reduced the funding for another.

Fortunately, several ongoing production programs provide a sound business base for the near-term future. Competitions in which the company is engaged hold good potential for the long term and the company has the resources to apply to the search for new business to replace that which has not materialized.

Three 1977 terminations stemmed from the decision to halt production of the B-1 bomber. This action closed out Boeing's role as avionics contractor for the B-1 production run, its development of B-1 training equipment and its contract for the SRAM-B short-range missile, intended as armament for the B-1. A fourth

termination resulted from the decision to suspend development of the Compass Cope remotely piloted vehicle.

A major disappointment was the government's suspension of the Air Force's Advanced Medium STOL (short take-off-and-landing) Transport competition. Boeing had prepared well for this competition and performance of the two YC-14 prototypes had been outstanding. We continue to believe this aircraft would fill important military needs. Earlier, a bid to obtain a military airlift role for the 747 was lost when the Air Force chose a competitor's wide-body carrier over a 747 derivative as its Advanced Tanker/Cargo Aircraft.



Our largest program, the E-3A Airborne Warning and Control System, made significant progress on several fronts during 1977. The first five production versions of this radome-topped, electronics-filled 707 were delivered, with nine more scheduled for 1978. Air Force requirements call for 34 systems, 22 of which have been funded.

Late in the year, Congress approved the sale of seven E-3As to Iran, and negotiations between the U.S. government and Boeing for the transaction are under way. NATO also moved ahead on its plan to procure a fleet of E-3As for its airborne early warning requirements, announcing in December that it will initiate research and development leading to a standardized U.S./NATO system. Final approval of the NATO program, involving perhaps as many as eighteen systems, is expected in 1978.

A second major ongoing program, now in its twentieth year, is the Minuteman intercontinental ballistic missile. Boeing is proceeding with a modernization program to increase the survivability and effectiveness of the missile force located at

Malmstrom Air Force Base, Montana. The Malmstrom work will be completed in 1978. A similar program begins at Whiteman AFB, Missouri, this spring.

As a possible follow-on to Minuteman, the Air Force is developing a mobile ICBM system called the MX. Boeing has contracts to design and test MX transportation equipment and protective shelter doors, and to develop MX communications concepts. In December a bid was submitted for the assembly, test and system support contract. The Air Force is expected to select a contractor this spring, though a reduction in MX funding for Fiscal 1979 will slow the pace of full-scale development.

Another strategic-weapon competition took on additional importance for Boeing when President Carter announced that the nation's strategic air forces will rely upon the cruise missile as their prime penetrating weapon. Boeing is developing a long-range version of its Air Launched Cruise Missile for the Air Force, in preparation for a fly-off competition with an air-launched variant of the Tomahawk being developed for the Navy. The winning missile will be deployed aboard the

Boeing B-52 and possibly also on another carrier such as the 747.

The 747 already has an Air Force role as the E-4 Advanced Airborne Command Post, which provides a critical communication link between the nation's command authorities and strategic retaliatory forces in the event of a national emergency. Three E-4As are now in service, and Boeing has begun installing the extensive command, control and communications equipment in the more advanced "B" model. Flight tests will begin this spring, with delivery scheduled for 1979.

While the Air Force continues to be Boeing Aerospace Company's principal customer, important progress was made toward the goal of becoming a major supplier to the U.S. Army.

Boeing has started development of a long-range version of its Air Launched Cruise Missile in preparation for a flyoff competition with a similar weapon being made by another company.

Boeing is installing improved Minuteman suspension equipment, as pictured here, and hardening the missiles' protective silos at Malmstrom and Whiteman Air Force Bases.

Most-photographed couple of 1977 — the Space Shuttle "Enterprise" and the NASA 747 modified by Boeing to serve as a carrier-launcher in a series of successful test flights at Edwards AFB, Cal.





In November, as a major subcontractor to Hughes Aircraft Company, Boeing delivered the first U.S. Roland fire unit. Roland is a European-developed surface-to-air missile system which the Army has selected to counter low-altitude attacks by aircraft. Hughes and Boeing are licensed jointly to transfer the European technology to the U.S. The Boeing-built fire unit contains all the equipment required to locate enemy aircraft, track them, fire the supersonic missiles and guide them to interception.

The U.S. Roland, built from French and German drawings, is the first major weapon system design transferred from abroad for manufacture here. It is considered a major step toward increased use of common weapon systems by the U.S. and its NATO allies.

Boeing also won a contract to develop one of two competing versions of the Army General Support Rocket System, a system of highly mobile, surface-to-surface, free flight rockets intended to complement

The first of four Roland surface-to-air missile fire units manufactured in the United States from a European design. The project is a joint effort of Boeing and the Hughes Aircraft Company.

An E-4 Advanced Airborne Command Post about to be refueled by a Boeing KC-135 tanker. Boeing is now preparing an E-4B model to add to the three earlier models so far delivered.



cannon artillery during battlefield "surge" conditions. An Army production decision is scheduled to follow a 31-month validation program, climaxed by a competitive "shoot off" at a missile test range. Winning the production contract could lead to a major source of business lasting more than a decade.

In the field of space, Boeing won two new assignments which broadened its role as developer of a family of upper stages for space payloads. The Air Force authorized Boeing to make its Inertial Upper Stage (IUS) suitable for use on the new Titan III space booster as well as on the Space Shuttle and called for the start of work toward integrating



the IUS with its payloads. Meanwhile, work on the validation phase of the IUS heads toward an early 1978 completion and preparation has begun for the program's full-scale development phase.

Boeing also has a key assignment in NASA's Applications Explorer Missions, which will use small, low-cost spacecraft to acquire new data on the earth's resources and atmosphere. In 1977 base modules containing the subsystems needed to support the vehicles' scientific instruments were delivered for two of the spacecraft.

NASA's Space Shuttle Orbiter, "Enterprise," was launched from the back of a modified 747 for a series of nearly flawless unpowered landing tests to the desert runways of Edwards Air Force Base, California, in 1977. The 747 also will transport the Orbiters from landing areas to launch sites.

In another space-related activity, Boeing continued its development of a concept for the construction of large solar power satellites intended to transform the sun's rays into electricity and beam it to Earth for domestic use.

In surface transportation, Boeing was awarded a contract by West Virginia University to provide equipment and technical integration in a federally funded expansion of the Morgantown Personal Rapid Transit system. This Boeing-developed automated system, in public service since late 1975, carries an average of more than 15,000 riders a day.

During 1977 Boeing Aerospace Company made progress in penetrating new markets which hold potential for expanding its business base. It won a Navy contract to design and build a system which simulates ships and their defenses to aid in the development of new attack missiles. In the field of logistics it also won new contracts for support services to NASA and to U.S. military installations in Turkey. The pursuit of other logistics business was broadened, including the development of simulators designed to make military training more cost effective.



## Boeing Vertol Company

During 1977, Vertol concentrated on CH-47 Chinook production and major helicopter modernization programs for the U.S. Army and the U.S. Navy. Production and deliveries of rail transit vehicles to Boston and Chicago continued.

A total of 23 CH-47C Chinook helicopters was delivered during the year. The Army received 11 of these aircraft and the balance went to international customers. Although only one new Chinook order was recorded in 1977, in the first two months of this year the British government has ordered thirty, the Argentine government five and funding for sixteen is in the defense budget which has been presented to Congress. Three of the Argentine aircraft are dedicated to antarctic exploration.

The YCH-47D Chinook modernization development program has progressed well and is expected to lead to production contracts for fleet modernization of 361 Chinooks to be redesignated CH-47Ds. The upgrading includes advancements in the helicopter's electrical, mechanical and avionics systems, structural improvements, as well as the incorporation of new fiberglass rotor

blades and improved engines.

Delivery of kits to the Navy for updating CH-46 helicopters to the 'E' configuration continued during 1977 and additional kit orders were received. The Navy plans to update 276 CH-46s to the 'E' configuration and to re-equip its entire CH-46 fleet with the new fiberglass rotor blades. An initial production contract for the blades was awarded following a successful development and flight test program.

Delivery was made of 12 of 15 BO-105 commercial helicopters ordered during 1977 under license from Messerschmitt-Boelkow-Blohm GmbH. The BO-105 is used primarily for executive transport and servicing offshore oil rigs.

Vertol was unsuccessful in its bid for the Navy's Light Airborne Multi-purpose System helicopter program. The Navy cited commonality cost-savings associated with the competitor's existing military helicopter production program as the reason for its choice.

Progress continued on surface transportation programs, with 145 production rail cars delivered in 1977, including 47 Light Rail Vehicles (LRV) and 98 Rapid Transit Cars.

Revenue service of the LRVs in Boston, which began in late 1976, was expanded during 1977 with continuing deliveries now bringing Boston's total to 75 cars. Boston's 175-car order is scheduled for completion in October. At year's end, the fleet mileage approached 1 million miles. In October, 1977, two test LRVs were delivered to San Francisco for a test evaluation program. Production deliveries to San Francisco will begin in August and the 100-car order is scheduled for completion approximately one year later.

Production deliveries of Rapid Transit Cars to the Chicago Transit Authority began in March, 1977, and by year's end the vehicles had accumulated over 1.5 million miles. Final requirements for additional vehicles are being determined by Chicago and a competition for 300 vehicles is expected this year.

By the end of 1977, the 75 light rail vehicles delivered by Vertol to Boston had achieved mileage approaching the one-million mark. Boston has ordered 175 vehicles and San Francisco, 100.

Boeing Vertol Sea Knight CH-46E with new fiberglass blades being tested at the Naval Air Test Center in Maryland. Navy plans to re-equip entire CH-46 fleet with new blades.

New fiberglass rotor blades using Vertol-developed techniques and tooling are in production. Blades will be used in modernization of U.S. Army and Navy CH-47 and CH-46 helicopter fleets.





## Boeing Wichita Company

The Boeing Wichita Company gained additional business with the Air Force during 1977 and increased its support work for other Boeing programs.

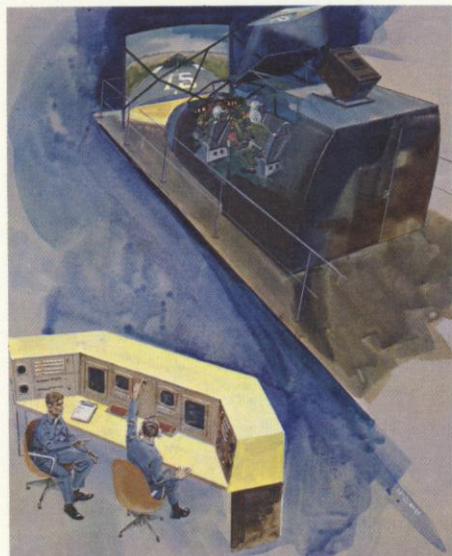
Success in competitive bids for Air Force contracts on B-52/KC-135 weapon system trainers and on modernization of the B-52 offensive avionics system resulted in significant new business and the potential for major follow-on assignments.

In the instance of the trainers, the win narrowed a competition for a trainer production program to Boeing and another firm with the final winner to be chosen in early 1980 following a fly-off competition. Having won the B-52 avionics system competition, Wichita has begun a definition and planning assignment which calls for it to demonstrate how it would provide, at low "life cycle" cost to the Air Force, near-term improvements to the airplane's navigation and weapon delivery capability. A follow-on full-scale development program is anticipated.

Early in 1978 a \$77 million Air Force contract was received to

Development of the B-52 as a carrier for the Air Launched Cruise Missile is one of several Boeing Wichita projects involving modernization of the Air Force fleet of B-52 bombers.

Boeing Wichita is a finalist in the competition to provide the Air Force with weapon system trainers for the B-52 (as shown in sketch) and the KC-135 tanker-cargo plane.



integrate competing air launched cruise missiles with the B-52. Four bombers will be modified to test the ALCMs in a competitive fly-off program. Wichita also is providing B-52 weapon system improvements including an electronic radar technology development program and a continuation of B-52 defensive avionics development and production. Responsibility for the continuing portion of Boeing's B-1 avionics system work was assigned to Wichita after the government's decision to cancel the B-1 production program and continue only with developmental work.

Three contracts were received involving the KC-135 tanker. They

In the commercial jet transport field, Wichita increased its production support for new 737s and 747s by taking on added parts manufacturing and assembly work. The 747 Special Freighter program phased out in December with delivery of the 24th Superjet to undergo passenger-to-cargo conversion. Wichita continued its commercial modification work which involves structural changes, new interiors and conversion to cargo configurations of all models of Boeing jet transports for both domestic and foreign customers.



involve replacing most of the under surfaces of the airplane's wing skin to extend service life of high-time tankers; a prototype program to test "winglets" — small vertical wingtip extensions — on the KC-135 and demonstrate the potential of such devices for fuel conservation, and a definition phase for a re-engine program.

Production of automated test equipment to validate systems on various Navy aircraft was continued.

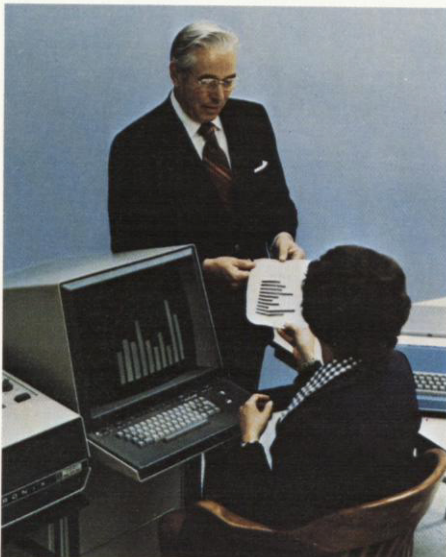


## Boeing Computer Services Company

In 1977, BCS continued to provide all of the growing amount of computing service for Boeing while also increasing its outside commercial customer base by 31 percent. With major equipment additions in the Seattle, Wichita, Philadelphia and McLean, Virginia data centers, computing capacity was increased substantially over 1976. The new headquarters building in Morristown, New Jersey, was occupied in March, and construction was started on a 150,000 square foot computer/office facility in suburban Washington, D.C. to accommodate the growing timesharing and systems operations in the McLean data center.

BCS operations in Kent and Renton, Washington were materially enlarged to provide necessary processing capability to support accelerating production rates for commercial aircraft. BCS continued to implement company-wide systems to improve the efficiency of Boeing operations. Culminating several years of effort a number of major new systems were placed in operation, while development continued on additional systems, to further enhance productivity.

The State of Washington is one of more than 100 government agencies and businesses using the BCS Executive Information Services system in financial planning, estimating, budgeting and tracking.



At Boeing Commercial Airplane Company, for example, new equipment and systems were installed at the Flight Simulation Center to provide enhanced simulation and analysis capabilities, and a new modular computer system was implemented to improve the availability and transfer of data between 11 wind tunnel laboratories and the central computing system where test data analysis is performed. At Boeing Aerospace Company, a configuration-accountability system was implemented to improve accuracy, accessibility and flow time for releasing engineering requirements.

Commercial sales growth continues to be recorded in governmental, industrial and financial markets. BCS now provides total data processing services for 22 commercial banks and 29 savings institutions; has installed its data center performance analysis system in over 35 companies and federal agencies including the Army, Navy, and Air Force; and was recently awarded a contract to provide nationwide teleprocessing services to the Army's Corps of Engineers in support of engineering applications at more than 50 Corps' district and division offices.

During 1977, marketing emphasis on timesharing applications products was reinforced with the introduction of several new commercial services geared toward business, financial, and engineering and scientific markets. Executive Information Services highlighted the 1977 enhancements to the product line. This is an interactive computerized system for meeting management

New Boeing Computer Services headquarters in Morristown, N.J., is the nucleus of one of the nation's largest computer service organizations, with sales offices in 27 cities.

information requirements in areas of financial planning and modeling, estimating, budgeting and tracking. By year's end more than 100 major business organizations and government agencies, such as the Chrysler Corporation, Arthur Young & Company, and the State of Washington were utilizing this service.

Late in 1977, Boeing announced the merger of its BCS subsidiary with the parent company, effective January 1, 1978.





## Boeing Engineering and Construction

Boeing Engineering and Construction continued to focus on energy and the environment.

BOECON, a general construction subsidiary, was awarded several contracts for work on nuclear power-plants. These included installation of large piping and mechanical equipment at the Hanford nuclear plant in joint venture with two other contractors. This was BOECON's first major entry into mechanical construction. Other contracts in the Pacific Northwest called for construction of turbine pedestals, reactor building shield walls and domes, and support facilities. BOECON completed construction of a municipal wastewater treatment plant and a pumping station in Hawaii, as well as a steam generating plant for the Navy in Nevada.

The nuclear fuel cycle also provided opportunities. Following a federal-government-announced policy shift toward a centrifuge process for future uranium enrichment, BEC was awarded one of five contracts to evaluate the new concept and define roles in which Boeing might make a contribution. This led to the development of capability to manufacture centrifuge machines and components and an initial contract in this area. Other fuel-cycle contracts included

Twin Brine Concentrator installed at coal-fired generating plant in Colstrip, Montana. Other concentrators remove pollutants from brackish ground water and industrial wastewater.



support of project management systems and a study of global spent fuel logistics systems for the Department of Energy.

BEC was selected by the Department of Energy to design, build, and install a wind-powered electric generating system. The wind turbine, with a 300-foot-diameter blade mounted atop a 200-foot-tall tower, will be the world's largest. In other advanced energy systems, BEC added several contracts for solar research work and for design of an advanced solar power plant.

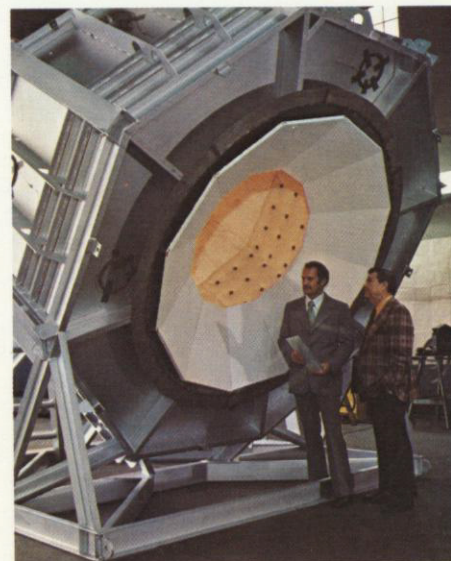
BEC, through Boeing Engineering and Construction International, Inc., a wholly owned subsidiary, has increased its sales of project management and consulting engineering services to the petroleum industry, with contracts involving several offshore production projects in the North Sea, one in the Gulf of Mexico, and one in Australia.

In the electrical and electronics field, a major energy control center system was completed and delivered to the Bureau of Reclamation. It will remotely control generators at three dams and 36 electric power substations in the Southwest.

Most of BEC's activities in the environmental field continued to be directed at treatment and recovery of water. Resources Conservation Co., (RCC) owned by affiliates of Boeing and Reading & Bates Offshore Drilling Co., expanded its role in this field with a contract to design a total system of water recovery for an electric generating station. RCC's products remove pollutants from industrial wastewater and also can purify sea water or brackish ground water for drinking. Four more Brine Concentrator systems were sold. One of the sales was to a chemical company for use in providing low cost steam, the first such application.

Drawing of the "largest windmill in history" to be designed and built by BEC for the Energy Department. The rotor, with a 300-foot span, will be mounted on a tower 200 feet high.

Reflections from 78 sun-tracking mirrors will be beamed into this central receiver in a solar power test in New Mexico this year. BEC designed and built the 13-foot-high unit.





## Boeing Marine Systems



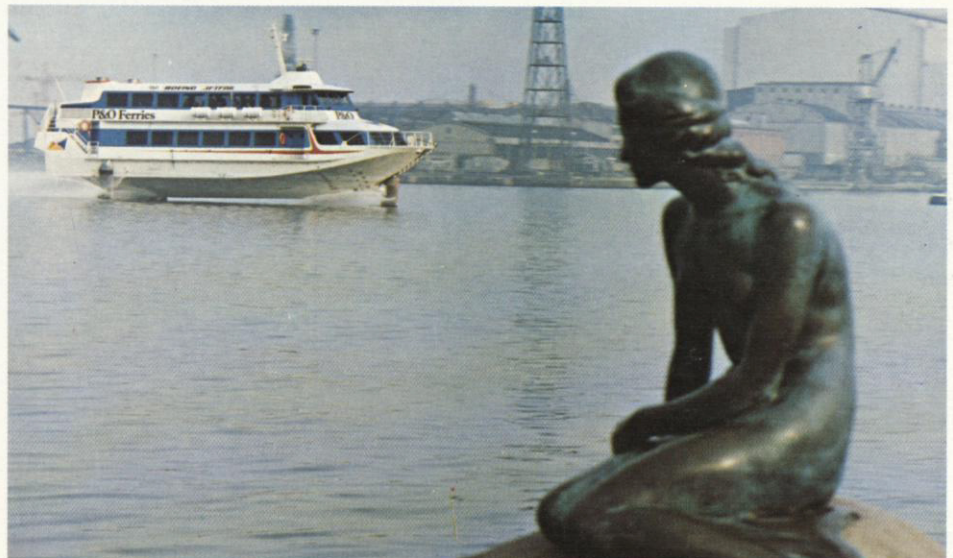
The commercial Boeing hydrofoil, Jetfoil, began operations in Japan, Venezuela and from downtown London to Zeebrugge, Belgium during 1977. Operation of the "Flying Princess" across the English Channel by P & O Ferries began in June 1977 following a 52-day demonstration tour of six countries in the Baltic and North Seas. Pacific Sea Transportation, which operated Jetfoils in Hawaii, discontinued service in January 1978. The boats were sold to Far East Hydrofoil which has been operating two Jetfoils between Hong Kong and Macao for three years.

The nine Jetfoils currently in commercial service have carried 2,750,000 passengers for 132,000,000 passenger miles during 33,555 hours of operation through January 31, 1978.

BMS is building the first of five Patrol Hydrofoil Missiles ships ordered by the Navy in October. This is the prototype PHM, "Pegasus", now assigned to the fleet in San Diego.

The "Flying Princess" meets Copenhagen's famous mermaid during the Princess' European demonstration tour. In June, the Princess began commercial service on the English channel.

Boeing Marine Systems was awarded a contract by the U.S. Navy in October 1977 for the production of five Patrol Hydrofoil Missiles ships (PHMs). Work is under way with the first delivery scheduled in 1981. Pegasus, the PHM prototype, was commissioned into active service by the Navy in July following successful test and evaluation. Since launch in 1974 Pegasus has logged 2,214 underway hours. Those hours represent 224 voyages and 899 separate flights. Pegasus is now assigned to the fleet in San Diego, California.





## Financial Review

### Sales, Earnings and Dividends

Consolidated sales for 1977 increased \$100 million from the prior year to a record \$4,019 million. Foreign sales were 38% of total sales in 1977 compared with 48% in 1976. Sales to the U.S. Government were 37% in 1977 and 34% in 1976.

Commercial jet transport sales were somewhat below 1976 levels by reason of reduced aircraft and spares deliveries and lower support, service and modification billings. Deliveries in the fourth quarter were below previously scheduled quantities because of the 45-day strike by the International Association of Machinists. Including military derivatives, seven 707s, sixty-seven 727s, twenty-five 737s, and twenty 747s were delivered in 1977 for a total of 119. This compares with 1976 deliveries of ten 707s, sixty-one 727s, forty-one 737s, and twenty-seven 747s for a total of 139. Current schedules anticipate the 1978 de-

livery of ten 707s, one hundred fifteen 727s, thirty-eight 737s and thirty-three 747s for a total of 196.

Military aircraft sales were above 1976 levels, primarily reflecting substantially higher E-3A (AWACS) sales and higher helicopter sales, partially offset by lower sales under military modification programs. Missile and space sales increased slightly, with lower Minuteman sales more than offset by higher sales levels under the Air Launched Cruise Missile (ALCM), Inertial Upper Stage space booster, and Roland short-range air defense missile programs.

Based on current programs and schedules, 1978 sales should be considerably above the 1977 level.

The improved earnings for 1977 were achieved primarily through continued favorable performance on major programs, higher than previously anticipated orders for jet transports which resulted in increasing production rates, a 48% increase in other income (primarily interest income) and lower interest and debt expense.

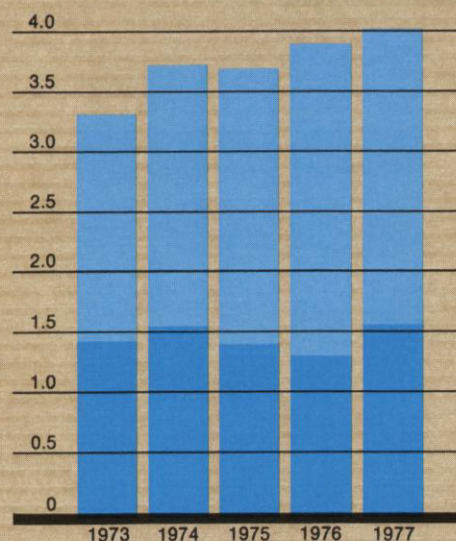
The company continued its practice of charging directly to earnings as incurred, research, developmental, general and administrative expenses except to the extent such expenses are expected to be recoverable under contracts. Research and development expenses of \$222 million and general and administrative expenses of \$141 million charged directly to earnings in 1977 were respectively \$31 million and \$20 million higher than in 1976. Research, development and other expenditures relating to new aircraft, derivative models and product improvement of commercial jet transports and other transportation equipment programs continued at a relatively high level.

Earnings before federal income taxes were \$316.2 million, compared with \$162.6 million in 1976. The 1977 provision for federal taxes on income was \$135.9 million compared with \$59.7 million in 1976. While

### SALES

In Billions of Dollars

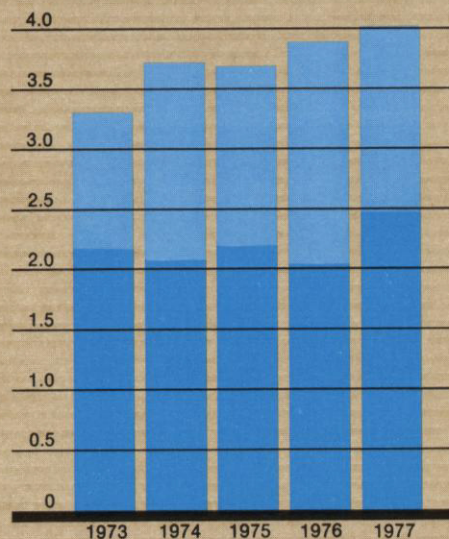
Commercial (Including Local and Foreign Government)  
U.S. Government



### SALES

In Billions of Dollars

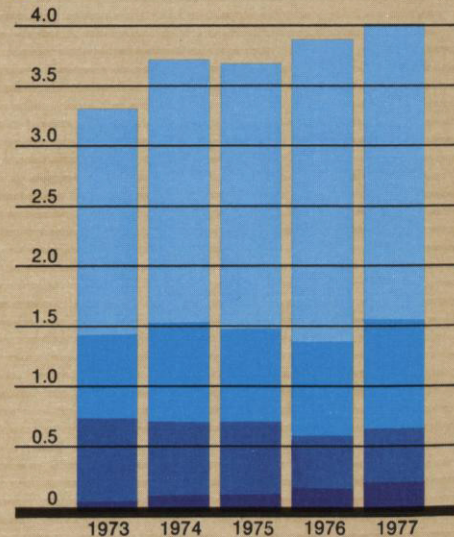
Foreign  
Domestic



### SALES BY CLASS OF PRODUCT

In Billions of Dollars

Commercial } Transportation Equipment  
Military } and Related Services  
Missiles/Space  
Other





pretax income increased 94% compared with 1976, the provision for federal taxes on income increased 128%. The higher effective tax rate results from the significant increase in pretax earnings while there was a decrease in total tax benefits from investment

tax credits and domestic international sales corporations.

Net earnings for 1977 were \$180.3 million, an increase of \$77.4 million or 75% over the \$102.9 million reported in 1976. The earnings amounted to \$4.24 per share or 4.48% of sales, compared with \$2.42 (adjusted for the two-for-one stock split) or 2.63% of sales in 1976.

Revenues and earnings contribution by the company's major industry segments for the five year period 1973 through 1977 are summarized below:

## Revenues and Earnings Contribution by Industry Segment

(in millions)

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
<b>Revenues:</b>					
Transportation equipment and related services .....	\$3,423	\$3,321	\$3,005	\$3,020	\$2,598
Missiles/space and miscellaneous .....		598	714	711	737
Missiles and space .....	446				
Other industries .....	208				
Sales .....		<u>\$3,919</u>	<u>\$3,719</u>	<u>\$3,731</u>	<u>\$3,335</u>
Operating revenues .....	4,077				
Corporate income .....	47				
Total revenues .....	<u>\$4,124</u>				
<b>Earnings contribution:</b>					
Transportation equipment and related services .....	\$268.9	\$249.9	\$201.1	\$167.0	\$113.5
Missiles/space and miscellaneous .....		64.7	59.7	68.2	84.9
Missiles and space .....	39.6				
Other industries .....	5.1				
Operating profit .....	313.6	314.6	260.8	235.2	198.4
Other expenses — net .....		(152.0)	(148.1)	(132.8)	(140.6)
Corporate income .....	47.4				
Corporate expense .....	(44.8)				
Earnings before taxes .....	<u>\$316.2</u>	<u>\$162.6</u>	<u>\$112.7</u>	<u>\$102.4</u>	<u>\$ 57.8</u>

In 1977 corporate income consists principally of interest income from corporate investments and corporate expense consists of interest on debt and other general corporate expenses. In 1976 and prior years, unallocated "other expenses — net" include general and administrative expenses and company-sponsored independent research and development not recoverable under contracts, interest on debt, interest income and miscellaneous income.



Quarterly dividends paid per share for 1977 and 1976 (adjusted for the two-for-one stock split) were as follows:

Quarter	1977	1976
1st .....	\$.17½	\$.12½
2nd .....	.17½	.12½
3rd .....	.25	.12½
4th .....	.25	.25
	<u>\$.85</u>	<u>\$.62½</u>

Reflecting adjustment for the stock split, regular quarterly dividends were increased from 10 cents to 12½ cents per share in the first quarter of 1976 and were further increased to 17½ cents in the first quarter of 1977 and to 25 cents in the third quarter of 1977. In addition, a special dividend of 12½ cents was paid in December 1976. In the first quarter of 1978, a special dividend of 25 cents per share was paid, and the regular quarterly dividend was further increased to 30 cents per share.

Ranges of 1977 and 1976 market prices (adjusted for the two-for-one stock split) for the company's common stock, as traded on the

New York Stock Exchange, were as follows:

	1977		1976	
Quarter	High	Low	High	Low
1st .....	22¾	18¾	14¾	12⅞
2nd .....	29¾	20⅝	20¾	13⅞
3rd .....	29⅞	26⅞	22⅞	18½
4th .....	29½	23⅝	23⅞	19½

### Financial Position

Stockholders' equity at December 31, 1977 amounted to \$1,231 million, up \$146 million from year-end 1976. Working capital increased \$106 million to \$741 million.

The noncurrent portion of long-term aircraft financing, which includes notes receivable, investment in sales-type leases and the depreciated book value of aircraft on operating leases, decreased \$28 million to a total of \$234 million. The decrease reflects a \$34 million reduction in notes receivable and a \$3 million decrease in the company's investment in sales-type leases, offset by a \$9 million increase in the net book value of aircraft on operating leases.

Facilities additions, net of retirements, exceeded plant depreciation by \$28 million, increasing the company's net investment in plant and equipment to \$401 million at the end of 1977.

Long-term debt was \$118 million at the end of 1977, a reduction of \$16 million during the year, reflecting required annual payments on long-term debentures and notes.

The company's commercial bank credit arrangements are covered by an agreement that provides for open lines of credit aggregating \$100 million which are available to the company through March 31, 1978. There were no borrowings under this agreement at year end.

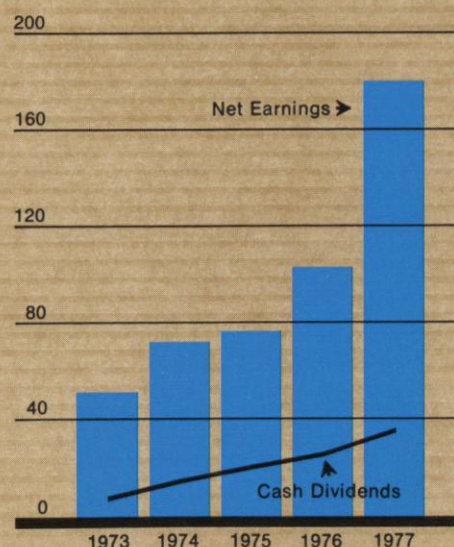
### Backlog

Total firm backlog of unfilled orders at the end of 1977 was \$5,917 million, an increase of almost 50% from the \$3,960 million at the end of 1976. Of the total 1977 backlog, \$4,474 million or 76% was commercial (including local and foreign government) compared with \$2,658 million or 67% at the end of 1976. United States Government backlog was \$1,443 million or 24% at December 31, 1977 compared with \$1,302 million or 33% at the end of 1976.

Announced orders for which definitive contracts have not been executed and purchase options are not included in commercial backlog. Government order backlog is limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts under contract with the United States Government at December 31, unfilled orders would be increased by about \$250 million at the end of 1977 and \$400 million at the end of 1976.

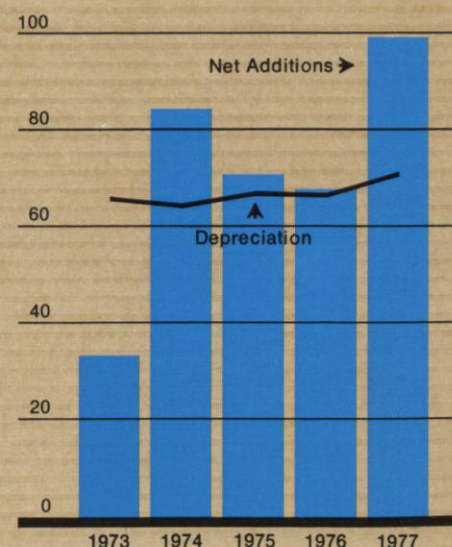
### NET EARNINGS AND CASH DIVIDENDS

In Millions of Dollars



### PROPERTY, PLANT AND EQUIPMENT

In Millions of Dollars





**Consolidated Statements of Net Earnings and Retained Earnings***(in millions except per share data)**Year ended December 31,*

	<u>1977</u>	<u>1976</u>
Sales .....	\$4,018.8	\$3,918.5
Other income .....	<u>105.8</u>	<u>71.4</u>
	<u>4,124.6</u>	<u>3,989.9</u>
Costs and expenses .....	3,797.0	3,815.0
Interest and debt expense .....	<u>11.4</u>	<u>12.3</u>
	<u>3,808.4</u>	<u>3,827.3</u>
<b>Earnings Before Taxes</b> .....	316.2	162.6
Federal taxes on income .....	<u>135.9</u>	<u>59.7</u>
<b>Net Earnings</b> .....	180.3	102.9
Retained earnings, January 1 .....	648.3	571.9
Amount transferred to common stock in connection with 2-for-1 stock split (\$5 per share par value for new shares) .....	(108.4)	
Cash dividends paid: 1977 — \$.85 per share; 1976 — \$.62½ per share .....	<u>(36.2)</u>	<u>(26.5)</u>
Retained earnings, December 31 .....	<u>\$ 684.0</u>	<u>\$ 648.3</u>
<b>Net Earnings Per Share</b> .....	<u>\$4.24</u>	<u>\$2.42</u>

Per share amounts restated for 2-for-1 stock split.

See notes to consolidated financial statements.



# Consolidated Statements of Financial Position

(in millions)

December 31,

	<u>1977</u>	<u>1976*</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and certificates of deposit .....	\$ 800.9	\$ 307.6
Short-term investments, at cost, which approximates market .....	208.8	242.4
Accounts receivable .....	315.7	225.8
Current portion of long-term customer financing .....	58.3	58.7
Inventories .....	<u>387.3</u>	<u>544.2</u>
<b>Total Current Assets</b> .....	<b>1,771.0</b>	<b>1,378.7</b>
 <b>Long-term customer financing</b> .....	 233.8	 261.3
<b>Property, plant and equipment</b> , at cost, less accumulated depreciation .....	400.7	373.0
<b>Investments and other assets</b> .....	<u>34.9</u>	<u>4.3</u>
	<u><b>\$2,440.4</b></u>	<u><b>\$2,017.3</b></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Notes payable to banks .....	\$ 3.4	\$ 5.4
Accounts payable and accrued liabilities .....	546.0	580.4
Advances and progress billings in excess of related costs .....	310.6	98.7
Federal taxes on income .....	156.4	43.1
Current portion of long-term debt .....	<u>13.5</u>	<u>15.8</u>
<b>Total Current Liabilities</b> .....	<b>1,029.9</b>	<b>743.4</b>
 <b>Deferred taxes on income</b> .....	 41.1	 37.0
<b>Deferred investment credit</b> .....	34.0	34.4
<b>Long-term debt</b> .....	104.1	117.7
 <b>Stockholders' Equity</b> .....	 <u>1,231.3</u>	 <u>1,084.8</u>
	<u><b>\$2,440.4</b></u>	<u><b>\$2,017.3</b></u>

\*Conformed to 1977 presentation.

See notes to consolidated financial statements.



## Consolidated Statements of Changes in Financial Position

(in millions)

Year ended December 31,

	<u>1977</u>	<u>1976*</u>
<b>Sources of funds:</b>		
From operations —		
Net earnings .....	\$180.3	\$102.9
Depreciation:		
Plant and equipment .....	71.4	67.0
Leased aircraft .....	10.4	12.3
Amortization of investment credit .....	(11.4)	(9.6)
Deferred Federal taxes on income .....	4.1	15.0
Total from operations .....	254.8	187.6
Decrease (increase) in long-term customer financing .....	17.1	(36.8)
Increase in deferred investment credit .....	11.0	17.7
Other .....	2.4	(1.6)
	<u>285.3</u>	<u>166.9</u>
<b>Uses of funds:</b>		
Additions to plant and equipment, net .....	99.1	67.2
Cash dividends .....	36.2	26.5
Increase in investments and other assets .....	30.6	.2
Decrease in long-term debt .....	13.6	15.4
	<u>179.5</u>	<u>109.3</u>
<b>Net Increase In Working Capital</b> .....	<u>\$105.8</u>	<u>\$ 57.6</u>
<b>Changes in components of working capital:</b>		
Cash and certificates of deposit .....	\$493.3	\$261.6
Short-term investments .....	(33.6)	179.8
Accounts receivable and current portion of long-term customer financing .....	89.5	5.7
Inventories .....	(156.9)	(305.0)
Accounts payable and accrued liabilities .....	34.4	(41.2)
Advances and progress billings in excess of related costs .....	(211.9)	(37.3)
Federal taxes on income .....	(113.3)	(6.7)
Other .....	4.3	.7
<b>Net Increase In Working Capital</b> .....	<u>\$105.8</u>	<u>\$ 57.6</u>

\*Conformed to 1977 presentation.

See notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

Years Ended December 31, 1977 and 1976

Dollars in millions except per share data

### Note 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**PRINCIPLES OF CONSOLIDATION.** The consolidated financial statements include the accounts of all significant subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation.

**INVENTORIES.** Inventoried costs on long-term commercial programs and U. S. Government contracts include direct engineering, production and tooling costs and applicable overhead. In addition, for U. S. Government fixed-price incentive contracts, inventoried costs include research, development, general and administrative expenses estimated to be recoverable. Inventoried costs are reduced by the estimated average cost of deliveries.

For mature commercial programs, the average cost of deliveries is based on the estimated total cost of units committed to production. For commercial programs in the early production stages, the average cost of deliveries is based on the estimated total cost of units representing a conservative market projection. For U. S. Government contracts the average cost of deliveries is based on the estimated total cost of units under contract.

To the extent the total costs as determined above are expected to exceed the total estimated sales price, charges are made to current earnings to reduce inventoried costs to estimated realizable value.

In accordance with industry practice, inventoried costs include amounts relating to programs and contracts with long production cycles, a portion of which is not expected to be realized within one year.

Commercial spare parts and general stock materials are stated at average cost not in excess of realizable value.

**REVENUE RECOGNITION.** Sales under commercial programs and U. S. Government fixed-price and fixed-price incentive contracts are recorded as deliveries are made. Sales under cost-reimbursement-type contracts are recorded as costs are incurred and fees are earned. Certain U. S. Government contracts contain profit incentives based upon performance as compared to predetermined targets. Incentives based on cost are recorded currently. Other incentives are included in revenues when awards or penalties are established, or when amounts can reasonably be determined. The sales portion of revenue on sales-type leases is recorded as deliveries are made. The interest portion is deducted from the investment and is recognized over the life of the lease. Other leases are accounted for on the operating method.

**DEPRECIATION AND AMORTIZATION.** Property, plant and equipment and aircraft on operating leases are recorded at cost and depreciated or amortized over useful lives based principally on accelerated methods.

**RETIREMENT PLANS.** The Company has several retirement

plans covering substantially all employees. The Company's policy is to accrue and fund current pension costs. Unfunded past service costs are amortized principally over 25 years.

**RESEARCH, DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES.** Research, development, general and administrative expenses are charged directly to earnings as incurred except to the extent estimated to be recoverable under contracts.

**FEDERAL TAXES ON INCOME.** The provision for Federal taxes on income is based on all elements of income and expense included in the statements of net earnings, regardless of the period when such items are reported for tax purposes, except that no provision is made for that portion of the earnings of the Company's Domestic International Sales Corporations for which management believes tax payments will be indefinitely deferred. The effects of timing differences between the reporting of revenues and expenses for financial statements and Federal income tax purposes are reflected as changes in deferred taxes on income. Investment tax credits are deferred and recorded as reductions in the provision for income taxes over the lives of the applicable assets.

### Note 2 • ACCOUNTS RECEIVABLE:

Accounts receivable at December 31 consist of—

	1977	1976
Amounts receivable under		
U. S. Government contracts . . . . .	\$162.3	\$104.9
Accounts receivable from		
commercial customers . . . . .	153.4	120.9
	<u>\$315.7</u>	<u>\$225.8</u>

No significant amounts are included in accounts receivable which represent retainages under contracts, amounts subject to future negotiations, accrued costs and profits not billable, or amounts which will not be collected within one year.

### Note 3 • INVENTORIES:

Inventories at December 31 consist of—

	1977	1976
Inventoried costs relating		
to long-term commercial		
programs and U. S. Gov-		
ernment contracts, less		
estimated average cost		
of deliveries . . . . .	\$1,190.8	\$1,062.4
Commercial spare parts,		
general stock materials		
and other . . . . .	150.7	150.6
	<u>1,341.5</u>	<u>1,213.0</u>
Less applicable advances		
and progress payments . . . . .	954.2	668.8
	<u>\$ 387.3</u>	<u>\$ 544.2</u>



Inventoried costs relating to long-term U. S. Government contracts include general and administrative expenses of approximately \$8.1 in 1977 and \$24.1 in 1976.

Inventoried costs relating to long-term commercial programs and U. S. Government contracts include \$130.0 in 1977 and \$163.0 in 1976 of unamortized tooling costs and \$99.0 in 1977 and \$146.0 in 1976 representing the excess of aggregate production costs incurred on in-process and delivered units over the aggregate estimated average cost of such units (determined as described in Note 1). It is estimated that \$88.0 of such amounts, which relate principally to the 747 program, will be recovered from firm orders received after February 6, 1978. With respect to the 747 program, such costs are being averaged over what management believes to be a conservative market projection of 400 aircraft. As of February 6, 1978, the Company has received 369 firm orders for 747 aircraft of which 315 had been delivered at December 31, 1977.

#### Note 4 • LONG-TERM CUSTOMER FINANCING:

Long-term customer financing at December 31 consists of—

	1977	1976
Notes receivable, less current portion	\$ 99.9	\$133.8
Investment in sales-type leases, less current portion	82.7	85.6
Aircraft on operating leases, at cost, less accumulated depreciation:		
1977 — \$107.8; 1976 — \$98.1	51.2	41.9
	<u>\$233.8</u>	<u>\$261.3</u>

Principal payments receivable under long-term notes for the next five years are—

1978	\$54.6
1979	47.2
1980	16.9
1981	12.7
1982	10.1

The notes bear interest at rates of 5% to 13%.

#### Note 5 • PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at December 31 consists of—

	1977	1976
Land	\$ 32.7	\$ 27.6
Buildings	551.3	540.7
Machinery and equipment	685.8	641.7
Construction in progress	31.1	17.4
	<u>1,300.9</u>	<u>1,227.4</u>
Less accumulated depreciation and amortization	900.2	854.4
	<u>\$ 400.7</u>	<u>\$ 373.0</u>

#### Note 6 • FEDERAL TAXES ON INCOME:

The provision for Federal taxes on income consists of—

	1977	1976
Taxes currently payable	\$143.2	\$54.3
Deferred tax expense	4.1	15.0
Amortization of investment tax credit	(11.4)	(9.6)
	<u>\$135.9</u>	<u>\$59.7</u>

The provision for Federal taxes on income was reduced by \$7.5 (\$.18 per share) in 1977 and \$9.5 (\$.22 per share) in 1976 applicable to earnings of the Company's Domestic International Sales Corporation (DISC) subsidiaries, since management intends to indefinitely postpone payment of such taxes through the reinvestment of undistributed earnings in export-related assets. Cumulative undistributed DISC earnings for which Federal income taxes have not been provided amount to approximately \$104.0.

Deferred tax expense results from—

	1977	1976
Deferred DISC earnings not indefinitely postponed	\$10.4	\$ 9.8
Long-term aircraft financing	(4.9)	8.9
Commercial and U.S. Government program costs	(1.2)	(3.6)
Other	(.2)	(.1)
	<u>\$ 4.1</u>	<u>\$15.0</u>

The provision for Federal taxes on income is less than that which results from application of the statutory corporate tax rate because such provision has been reduced by \$7.5 in 1977 and \$9.5 in 1976 related to undistributed DISC earnings and by \$11.4 in 1977 and \$9.6 in 1976 of investment tax credit amortization.

Income taxes have been settled with the Internal Revenue Service for all years through 1972. In connection with the audit of the Company's Federal income tax returns for the years 1973 through 1975, the Internal Revenue Service is reviewing the Company's practices relative to commissions and consulting fees paid in connection with sales to foreign customers. The Company has been informally advised by representatives of the Internal Revenue Service that they propose to recommend that deductions for certain of such payments be disallowed and that other adjustments be made. The Company cannot predict at this time the amount of additional taxes or penalties, if any, that may be asserted. It is the Company's position that the payments are properly deductible and that adequate provision for income taxes has been made for the years 1973 through 1977.

#### Note 7 • NOTES PAYABLE AND LONG-TERM DEBT:

Short-term notes of \$3.4 at December 31, 1977, bearing interest at ¼% above the Canadian commercial bank prime rate are payable by a Canadian subsidiary under lines of credit aggregating \$6.6. No borrowings were outstanding at December 31, 1977 under agreements with a group of U. S. banks which provide open lines of credit of \$100.0 bearing interest at the commercial bank prime rate. Cash balances are maintained under informal com-



## Notes Continued

compensating balance arrangements in connection with the lines of credit. No restrictions are imposed on the use of these funds.

Long-term debt at December 31 consists of—

	1977	1976
6 $\frac{3}{8}$ % notes payable .....	\$ 99.7	\$110.5
5% notes payable .....	17.0	19.8
5% Sinking Fund Debentures .....		2.2
Other notes .....	.9	1.0
Less current maturities .....	(13.5)	(15.8)
	<u>\$104.1</u>	<u>\$117.7</u>

The 6 $\frac{3}{8}$ % notes, maturing in 1986, are payable to a group of institutional lenders. Required annual payments are \$10.8.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of \$2.8.

The Company has complied with the restrictive covenants contained in the various debt agreements.

Aggregate maturities on long-term debt for each of the next five years are as follows—

1978 .....	\$13.5
1979 .....	14.2
1980 .....	13.6
1981 .....	13.5
1982 .....	13.5

### Note 8 • RETIREMENT PLANS:

Costs and expenses for 1977 and 1976 include retirement plan costs of \$90.6 and \$84.8. At December 31, 1977, actuarially determined vested benefits exceeded retirement plan assets by approximately \$60.6.

### Note 9 • RESEARCH, DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES:

Expenses charged directly to earnings as incurred include—

	1977	1976
Research and development .....	\$221.6	\$190.6
General and administrative .....	141.5	121.1

### Note 10 • STOCKHOLDERS' EQUITY:

Stockholders' equity at December 31 consists of—

	1977	1976
Common stock, par value \$5 a share:		
Authorized, 75,000,000 shares		
Issued at stated value —		
43,377,776 shares .....	\$ 553.9	\$ 444.4
Retained earnings .....	684.0	648.3
	<u>1,237.9</u>	<u>1,092.7</u>
Less treasury stock, at cost —		
1977 — 762,069 shares,		
1976 — 904,198 shares .....	6.6	7.9
	<u>\$1,231.3</u>	<u>\$1,084.8</u>

At the annual meeting on May 2, 1977, the stockholders approved an increase in the number of authorized shares of common stock from 40,000,000 to 75,000,000. On August 1, 1977 the Board of Directors authorized a 2-for-1 stock split. The number of shares and per share data have been restated accordingly.

The Company has authorized 10,000,000 shares of \$1 par preferred stock, none of which has been issued.

Changes in common stock issued and treasury stock for the two years ended December 31 are—

	Treasury stock		Common stock issued	
	Shares	Amount	Shares	Amount
Balance, January 1, 1976...	982,344	\$8.6	43,377,776	\$446.7
Payments to former debenture holders .....				(2.7)
Treasury shares issued for exercise of stock options .....	(78,146)	(.7)		.4
Balance, December 31, 1976 .....	904,198	7.9	43,377,776	444.4
Amount transferred from retained earnings in connection with 2-for-1 stock split (\$5 per share par value for new shares) .....				108.4
Treasury shares issued for exercise of stock options .....	(142,129)	(1.3)		1.1
Balance, December 31, 1977 .....	<u>762,069</u>	<u>\$6.6</u>	<u>43,377,776</u>	<u>\$553.9</u>

Payments to former debenture holders were established under a court decision related to inadequacy of notice of the 1966 call of Convertible Subordinated Debentures.

At December 31, 1977, options for 880,949 shares of the Company's stock at prices ranging from \$6.63 to \$19.56 were outstanding, of which 336,324 shares were exercisable. During 1977, options for 30,000 shares were granted and options for 4,284 shares were cancelled. Additional options for 140,820 shares are available for grant under the present stock option plan.

### Note 11 • CONTINGENT LIABILITIES:

Substantially all of the Company's contracts with the U. S. Government are subject to renegotiation under The Renegotiation Act of 1951 or the excess profits provisions of The Vinson Act of 1934. Renegotiation Board proceedings for all years through 1971 have been concluded. The Company does not know and cannot predict what the Board's actions will be for 1972 and subsequent years. The provisions of The Vinson Act apply only to contracts entered into subsequent to the expiration of The Renegotiation Act as of September 30, 1976. The Vinson Act provisions are currently under review by the Internal Revenue Service and the continuation of renegotiation is under consideration by the Congress. In view of these uncertainties, and the belief of the Company that no excessive profits were realized, no provision for renegot-



tiation or excess profits refunds have been made for the years 1972 through 1977.

The Company is engaged in various legal proceedings which in some instances involve claims for substantial amounts. Most of these claims are covered by insurance, and the Company does not anticipate that the amounts, if any, which may be required to be paid by the Company will be material.

#### Note 12 • INDUSTRY SEGMENT INFORMATION:

The Company operates principally in two industries, (1) transportation equipment and related services and (2) missiles and space. Operations in transportation equipment and related services primarily involve production and sale of commercial and military aircraft, and provision of air transportation services. Operations in missiles and space primarily involve production and sale of various offensive and defensive missiles, and space exploration products.

In 1977 contracts with U. S. Government agencies accounted for approximately \$923.6 of sales of transportation equipment. All missile/space products were sold to U. S. Government agencies.

Export sales for the year ended December 31, 1977 consisted of the following amounts by geographic area—

Asia .....	\$ 696.4
Europe .....	411.4
Africa .....	183.8
Oceania .....	128.9
Western Hemisphere .....	48.6
	<u>\$1,469.1</u>

Financial information for 1977 by industry segment is summarized as follows—

	<i>Transportation equipment and related services</i>	<i>Missiles and space</i>	<i>Other industries</i>	<i>Consolidated</i>
Identifiable assets at December 31, 1977 .....	<u>\$1,157.7</u>	<u>\$99.6</u>	<u>\$76.7</u>	\$1,334.0
Corporate assets (principally cash and short-term investments) ..				<u>1,106.4</u>
				<u>\$2,440.4</u>
Depreciation .....	<u>\$ 58.5</u>	<u>\$ 7.0</u>		
Capital expendi- tures, net .....	<u>\$ 77.7</u>	<u>\$10.2</u>		

See page 19 for summary of 1977 revenues and earnings contribution by industry segment.

#### Note 13 • QUARTERLY FINANCIAL DATA (unaudited):

Quarterly results of operations for 1977 and 1976 are summarized on page 29.

#### Note 14 • REPLACEMENT COST INFORMATION (unaudited):

In compliance with Securities and Exchange Commission (SEC) regulations, the Company has included certain estimated replacement cost data in the Form 10-K annual report filed with the SEC.

Disclosures with respect to inventories and cost of sales are not applicable because most of the Company's inventories relate to products built to specifications under binding contracts, and inflation does not result in inventory profits under these circumstances.

Although the cumulative impact of inflation over a number of years results in indicated higher costs for replacement of existing plant and equipment, such costs would be partially offset by increased productivity and the reduction of other costs attendant to overall efficiencies inherent in replacing existing productive capacity. Disclosures with respect to replacement cost of productive capacity represent, in the Company's view, a reasonable approximation of the information required by the SEC.

### Accountants' Report

*Touche Ross & Co.*

Board of Directors  
The Boeing Company  
Seattle, Washington

We have examined the consolidated statements of financial position of The Boeing Company and subsidiaries as of December 31, 1977 and 1976, and the related statements of net earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Boeing Company and subsidiaries at December 31, 1977 and 1976, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Also, in our opinion, the action of the Board of Directors on February 6, 1978, in setting aside the sum of \$4,000,000 for the year 1977 under the Incentive Compensation Plan for officers and employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

THE FINANCIAL CENTER  
SEATTLE, WASHINGTON 98161

February 6, 1978

*Touche Ross & Co.*

Certified Public Accountants



## Five-Year Comparative Financial Data

Dollars in millions except per share data.

Per share data restated for 2-for-1 stock split.

Year ended December 31,

### SUMMARY OF OPERATIONS

	1977	1976	1975	1974	1973
Sales .....	\$ 4,018.8	\$3,918.5	\$3,718.9	\$3,730.7	\$3,335.2
Other income .....	105.8	71.4	50.8	47.3	43.8
	<u>4,124.6</u>	<u>3,989.9</u>	<u>3,769.7</u>	<u>3,778.0</u>	<u>3,379.0</u>
Costs and expenses .....	3,797.0	3,815.0	3,642.4	3,660.3	3,282.0
Interest and debt expense .....	11.4	12.3	14.6	15.3	39.2
	<u>3,808.4</u>	<u>3,827.3</u>	<u>3,657.0</u>	<u>3,675.6</u>	<u>3,321.2</u>
Earnings before taxes .....	316.2	162.6	112.7	102.4	57.8
Federal taxes on income .....	135.9	59.7	36.4	30.0	6.6
<b>Net Earnings</b> .....	<u>\$ 180.3</u>	<u>\$ 102.9</u>	<u>\$ 76.3</u>	<u>\$ 72.4</u>	<u>\$ 51.2</u>
Average number of common shares outstanding .....	42,572,753	42,435,234	42,380,250	42,375,210	43,027,042
Per share —					
Net earnings .....	\$4.24	\$2.42	\$1.80	\$1.71	\$1.19
Cash dividends .....	\$ .85	\$ .62½	\$ .50	\$ .37½	\$ .20

## Management's Discussion and Analysis of the Summary of Operations

Management's discussion and analysis of 1977 results compared with 1976 are set forth in the Financial Review section of this report under Sales, Earnings and Dividends, pages 18 and 19. Management's comments relative to 1976 results compared with 1975 are summarized as follows:

Sales in 1976 were \$200 million above the 1975 level. Although total commercial jet transport deliveries declined, increased spares deliveries, growth in support and modification programs, and somewhat higher price levels resulted in total jet transport sales being higher than comparable 1975 levels. Military aircraft sales were

slightly above prior year levels with increased E-3A (AWACS) and B-1 Avionics sales partially offset by some decrease in Airborne Command Post, YC-14, helicopter and military modification program sales. Missile and space sales were below 1975 levels, principally because of reduced SRAM missile sales and somewhat lower Minuteman sales. These sales decreases were partially offset by higher sales on the Air Launched Cruise Missile (ALCM) and Roland short-range air defense missile programs.

Research and development expenses, and general and administrative expenses charged directly to earnings in 1976 were

respectively \$2.5 million and \$4.3 million higher than in 1975.

The improved earnings for 1976 were primarily achieved through continued favorable performance on major programs, higher than previously anticipated orders for standard-body jet transports, increased other income and lower interest and debt expense.

The 1976 provision for Federal taxes on income increased \$23.3 million over 1975 due to the tax on increased earnings less \$1.0 million increase in benefits from the company's domestic international sales corporations.



**FINANCIAL POSITION AT YEAR END**

	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
Working capital .....	\$ 741.1	\$ 635.3	\$ 577.7	\$ 502.1	\$ 463.8
Long-term customer financing .....	233.8	261.3	236.9	256.0	261.1
Facilities — at cost .....	1,300.9	1,227.4	1,188.9	1,137.5	1,067.5
Facilities — net .....	400.7	373.0	372.8	369.1	349.5
Investments and other assets .....	34.9	4.3	4.1	6.8	5.6
Long-term debt .....	104.1	117.7	133.0	149.0	164.8
Deferred taxes .....	41.1	37.0	22.0	7.0	(10.0)
Deferred investment credit .....	34.0	34.4	26.3	23.0	25.1
Stockholders' equity .....	1,231.3	1,084.8	1,010.1	955.0	900.1
— Per share .....	\$ 28.89	\$ 25.54	\$ 23.83	\$ 22.55	\$ 21.13
Common shares outstanding .....	42,615,707	42,473,578	42,395,432	42,342,976	42,592,976

**SOURCES AND (USES) OF FUNDS**

Net earnings .....	\$ 180.3	\$ 102.9	\$ 76.3	\$ 72.4	\$ 51.2
Depreciation of plant .....	71.4	67.0	67.2	64.5	66.0
Deferred items .....	3.7	23.1	18.3	14.9	(20.0)
Long-term debt .....	(13.6)	(15.4)	(16.0)	(15.8)	(337.8)
Cash dividends .....	(36.2)	(26.5)	(21.2)	(15.9)	(8.6)
Plant additions, net .....	(99.1)	(67.2)	(70.8)	(84.1)	(33.1)
Aircraft financing .....	27.5	(24.5)	19.1	5.1	16.1
Other .....	(28.2)	(1.8)	2.7	(2.8)	(8.5)
Increase (decrease) in working capital .....	<u>\$ 105.8</u>	<u>\$ 57.6</u>	<u>\$ 75.6</u>	<u>\$ 38.3</u>	<u>\$ (274.7)</u>

**OTHER DATA**

Firm backlog .....	\$5,917.0	\$3,959.9	\$3,728.8	\$3,824.4	\$3,152.2
Salaries and wages .....	\$1,246.7	\$1,207.1	\$1,222.4	\$1,099.0	\$ 955.5
Average number of employees .....	66,900	65,400	72,600	74,400	68,200
Floor area (million square feet)					
Boeing-owned .....	25.2	25.1	25.0	25.2	23.7
Leased .....	3.0	2.5	2.5	2.3	1.5
Government-owned .....	5.7	5.7	5.7	5.8	5.9

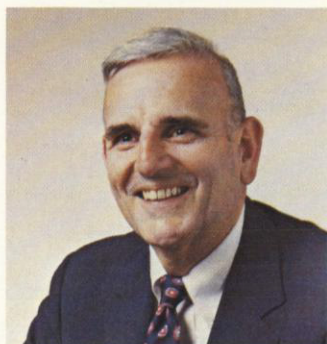
**Quarterly Financial Data**

Dollars in millions except per share data.

Quarter	Sales		Costs and expenses		Net earnings		Net earnings per share	
	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>	<u>1977</u>	<u>1976</u>
1st .....	\$ 755.9	\$ 742.0	\$ 725.1	\$ 728.0	\$ 28.2	\$ 15.6	\$ .66	\$ .37
2nd .....	1,244.8	1,165.7	1,164.7	1,135.8	56.4	27.1	1.33	.64
3rd .....	891.3	798.7	849.0	780.6	39.9	22.7	.94	.53
4th .....	1,126.8	1,212.1	1,058.2	1,170.6	55.8	37.5	1.31	.88
	<u>\$4,018.8</u>	<u>\$3,918.5</u>	<u>\$3,797.0</u>	<u>\$3,815.0</u>	<u>\$180.3</u>	<u>\$102.9</u>	<u>\$4.24</u>	<u>\$2.42</u>



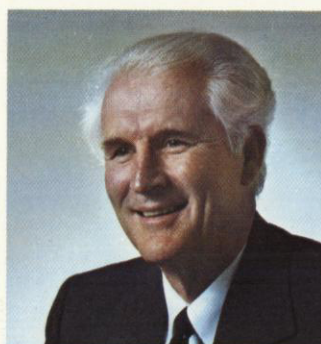
## Board of Directors



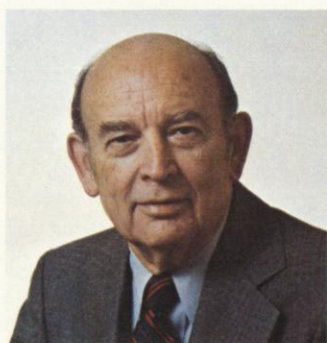
**T. A. WILSON**  
Chairman of the Board  
Chief Executive Officer



**M. T. STAMPER**  
President



**H. W. HAYNES**  
Executive Vice President  
Chief Financial Officer



**WILLIAM M. BATTEN\***  
Chairman of the Board  
& Chief Executive Officer  
The New York Stock Exchange



**HAROLD J. HAYNES**  
Chairman of the Board  
Standard Oil Company of Calif.  
(Petroleum Products)



**STANLEY HILLER, JR.**  
Chairman of the Board  
Baker International Corp.  
(Mining and Oil Equipment)



**CHARLES M. PIGOTT\***  
President  
PACCAR Inc  
(Transportation Equipment)



**WILLIAM G. REED**  
Managing Partner  
Simpson Reed & Co.  
(Management of Capital)

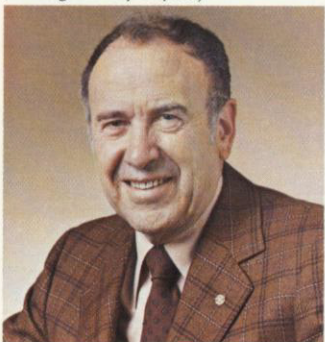


**DAVID E. SKINNER**  
President  
Skinner Corporation  
(Diversified Investments)

\*Audit Committee

**HONORARY CHAIRMAN:**  
WILLIAM M. ALLEN

**DIRECTOR EMERITUS:**  
CRAWFORD H. GREENEWALT



**EDWARD C. WELLS**  
Boeing Company Consultant



**GEORGE H. WEYERHAEUSER\***  
President  
Weyerhaeuser Company  
(Forest Products)



# Organization and Management

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## CORPORATE OFFICES

T. A. WILSON

M. T. STAMPER

H. W. HAYNES

R. R. ALBRECHT

*Vice President  
Counsel and Secretary*

O. C. BOILEAU

*Vice President; President  
Boeing Aerospace Company*

E. H. BOULLIOUN

*Vice President; President  
Boeing Commercial Airplane Co.*

W. L. HAMILTON

*Vice President  
International Business*

V. F. KNUTZEN

*Vice President, Controller*

R. B. LIGHT

*Vice President  
Washington, D.C. Office*

S. M. LITTLE

*Vice President  
Industrial and Public Relations*

W. M. MAULDEN

*Senior Vice President*

H. W. NEFFNER

*Vice President  
Contract Negotiations and Pricing*

J. B. L. PIERCE

*Treasurer*

J. E. PRINCE

*Senior Vice President*

G. S. SCHAIRER

*Vice President  
Research*

F. A. SHRONTZ

*Vice President  
Contract Administration and Planning*

J. E. STEINER

*Vice President  
Corporate Product Development*

H. N. STUVERUDE

*Vice President; President  
Boeing Vertol Company*

R. W. THARRINGTON

*Vice President; President  
Boeing Computer Services Co.*

R. W. WELCH

*Vice President;  
Executive Vice President  
Boeing Commercial Airplane Co.*

## BOEING COMMERCIAL AIRPLANE COMPANY

**Renton, Washington**

E. H. BOULLIOUN

*President*

R. W. WELCH

*Executive Vice President*

W. W. BUCKLEY

*Vice President, Executive Director  
Product Development*

E. V. FENN

*Vice President, General Manager  
Fabrication Division*

W. T. HAMILTON

*Vice President  
Research and Development*

K. F. HOLTBY

*Vice President, General Manager  
747 Division*

G. D. NIBLE

*Vice President  
Product and Customer Support Services*

J. F. SUTTER

*Vice President  
Commercial Product  
Development*

R. W. TAYLOR

*Vice President  
Special Assistant to the President*

D. D. THORNTON

*Vice President  
Finance, Contracts,  
and International Operations*

D. D. WHITFORD

*Vice President, General Manager  
707/727/737 Division*

C. F. WILDE

*Vice President  
Sales and Marketing*

H. W. WITHINGTON

*Vice President  
Engineering*

B. S. WYGLE

*Vice President  
Customer Support*

## BOEING AEROSPACE COMPANY

**Kent, Washington**

O. C. BOILEAU

*President*

J. H. GOLDIE

*Executive Vice President*

R. L. BROCK

*Vice President, General Manager  
Army Systems Division*

D. A. COLE

*Vice President  
General Manager  
Logistics and Support Services*

D. E. GRAVES

*Vice President  
Aircraft Armament*

J. C. MAXWELL

*Vice President, General Manager  
Boeing Military Airplane Development*

M. K. MILLER

*Vice President, General Manager  
Aircraft Armament and  
Information Systems Division*

B. T. PLYMALE

*Vice President, Manager  
Requirements and Marketing*

G. S. SEBESTYEN

*Vice President, General Manager  
Navy Systems and Advanced Projects Division*

## BOEING VERTOL COMPANY

**Philadelphia, Pennsylvania**

H. N. STUVERUDE

*President*

O. H. SMITH

*Executive Vice President*

C. W. ELLIS

*Vice President*

## BOEING WICHITA COMPANY

**Wichita, Kansas**

L. D. ALFORD

*President*

A. M. S. GOO

*Vice President  
Military Systems Development  
and Management*

## BOEING ENGINEERING and CONSTRUCTION

**Kent, Washington**

H. K. HEBELER

*President*

## BOEING COMPUTER SERVICES COMPANY

**Dover, New Jersey and Kent, Washington**

R. W. THARRINGTON

*President*

B. M. WHEAT

*Senior Vice President*

## BOEING MARINE SYSTEMS

**Renton, Washington**

R. E. BATEMAN

*Vice President, General Manager*

## SEATTLE SERVICES DIVISION

**Seattle, Washington**

A. W. CARTER, JR.

*General Manager*

## OPERATING SUBSIDIARIES:

**BOECON CORPORATION**

**BOEING AIRPORT EQUIPMENT, INC.**

**BOEING CONSTRUCTION EQUIPMENT CO.**

**BOEING ENVIRONMENTAL PRODUCTS, INC.**

**BOEING OF CANADA, LTD.**

**BOEING SERVICES INTERNATIONAL, INC.**

**BOEING TECHNOLOGY INTERNATIONAL, INC.**



GENERAL COUNSEL

Perkins, Coie, Stone, Olsen & Williams

GENERAL AUDITORS

Touche Ross & Co.

TRANSFER AGENT AND REGISTRAR

The First National Bank of Boston

Address for mail transfers, shareholder  
inquiries or any other matters:

First National Bank of Boston  
Shareholder Services Division  
Post Office Box 644  
Boston, Massachusetts 02102  
Tel: 617-434-6615

Other offices where hand delivery of  
certificates for transfer may be made:

First National Bank of Boston  
100 Federal Street, Floor 1-B  
Boston, Massachusetts  
FNB Financial Co.  
1 Wilshire Boulevard, 8th Floor  
Los Angeles, California  
Tel: 213-627-4361

FNB Clearance Corporation  
61 Broadway, 7th Floor  
New York, N.Y.  
Tel: 212-422-1350 or  
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General Offices:

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